

Health Savings Account (HSA)

Qualified/Nonqualified Expenses

Funds you withdraw from your HSA are income tax-free when used to pay for qualified medical expenses as described in Section 213(d) of the Internal Revenue Service Tax Code. These expenses must not have been reimbursed previously by any other coverage, such as your Flexible Spending Account. In general, the IRS requires that expenses must be for the diagnosis, cure, mitigation, treatment or prevention of disease, and for treatments affecting any part or function of the body. IRS Publication 969, "Health Savings Accounts and Other Tax-Favored Health Plans," explains that qualified medical expenses are those that would generally qualify for the medical and dental deduction, as listed in IRS Publication 502. These publications are available on the IRS website, www.irs.gov, or can be ordered from the IRS by calling **1-800-TAX-FORM**.

If you pay for anything other than qualified medical expenses with your HSA funds, the amount will be taxable, and you will pay an additional 20 percent tax penalty. The tax penalty does not apply if you are age 65 or older or disabled, but the amount must be reported as taxable income.

The following list provides examples of qualified and nonqualified medical expenses. This list is not all-inclusive. Remember, the IRS may modify its list of qualified expenses from time to time. As always, consult your tax advisor should you require specific tax advice.

Qualified medical expenses may include:

- Acupuncture
- Alcoholism treatment
- Ambulance
- Artificial limb
- Artificial teeth
- Breast reconstruction surgery (mastectomy-related)
- Chiropractor
- Contact lenses
- Cosmetic surgery (if due to trauma or disease)
- Dental treatment (X-rays, fillings, braces, extractions, etc.)
- Diagnostic devices (such as blood sugar test kits for diabetics)
- Doctor's office (including physicians, surgeons, specialists or other medical practitioners) visits and procedures
- Drug addiction treatment
- Drugs, prescription
- Eyeglasses and exams (for medical reasons)
- Eye surgery (such as laser eye surgery or radial keratotomy)
- Fertility enhancements
- Hearing aids (and batteries for use)
- Hospital services
- Laboratory fees
- Long-term care (for medical expenses and premiums)
- Nursing home
- Nursing services
- Operations/surgery (excluding unnecessary cosmetic surgery)
- Osteopath
- Over-the-counter (OTC) medical expenses with a doctor's prescription, for items used solely to treat a medical condition (such as aspirin, pain relievers, decongestants, cough suppressant, etc.)
- Physical therapy
- Psychiatric care
- Psychologist
- Special education (for learning disabilities)
- Speech therapy
- Stop-smoking programs (including nicotine gum or patches)
- Vasectomy
- Weight-loss program (to treat a specific disease diagnosed by a physician)
- Wheelchair

Nonqualified medical expenses may include:

- Advance payment for future medical care
- Amounts reimbursed from any other source (such as other health coverage or a Flexible Spending Account)
- Babysitting, child care and nursing services for a normal, healthy baby
- Betting (including lottery, gaming, chips, or track wagers)
- Cosmetic surgery (unless due to trauma or disease)
- Diaper Services
- Electrolysis or hair removal
- Funeral expenses
- Gasoline
- Health club dues
- Household help
- Illegal operations and treatments
- Maternity clothes
- Meals
- Nutritional supplements
- Over-the-counter drugs and medicines unless a prescription is presented
- Personal use items (such as toothbrush, toothpaste)
- Swimming lessons
- Teeth whitening
- Weight-loss programs (unless prescribed to treat a specific disease)

OptumHealthBankSM

Member FDIC

Health savings accounts (HSAs) are individual accounts offered by OptumHealth BankSM, Member FDIC, and are subject to eligibility and restrictions, including but not limited to restrictions on distributions for qualified medical expenses set forth in section 213(d) of the Internal Revenue Code. This communication is not intended as legal or tax advice. Please contact a competent legal or tax professional for personal advice on eligibility, tax treatment, and restrictions. Federal and state laws and regulations are subject to change.

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